

Message Text

LIMITED OFFICIAL USE

PAGE 01 ZAGREB 00483 061027Z

14-11

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EB-07 FEA-01 CIAE-00 INR-07

NSAE-00 PM-03 NSC-05 SP-02 SS-15 AID-05 TRSE-00 /068 W

----- 075136

R 050943Z JUN 75

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 3147

USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY KUWAIT

AMEMBASSY PRAGUE

AMEMBASSY TRIPOLI

LIMITED OFFICIAL USE ZAGREB 0483

E.O. 11652: N/A

TAGS: ENRG, BEXP, YO, HU, CZ

SUBJECT: MAJOR PROJECT: YUGOSLAV PIPELINE

REF: A) BELGRADE 2511; B) ZAGREB A-76, 12/16/74

1. OFFICIALS HERE INFORM US THAT ON JUNE 1, 1975, THE CLOCK OFFICIALLY BEGAN TO TICK ON YUGOSLAVIA'S COMMITMENT TO BUILD THE PIPELINE TO THE HUNGARIAN BORDER WITHIN 36 MONTHS, EVEN THOUGH MAJOR FINANCING ARRANGEMENTS REMAIN TO BE FORMALLY CONCLUDED. PIPELINE OFFICIALS ARE HOPING TO SIGN AGREEMENTS IN "THE NEXT FEW DAYS" WITH THE LIBYANS (\$70 MILLION) AND THE KUWAITIS (\$120 MILLION--PART OF WHICH IS IN PIPE).

2. THE YUGOSLAVS ALSO PLAN TO SEND A DELEGATION TO WASHINGTON FOR MEETINGS BEGINNING CIRCA JUNE 9 AT THE IBRD WHERE THEY HOPE TO WRAP UP AN ADDITIONAL CREDIT. A PIPELINE FINANCIAL OFFICIAL WITH WHOM WE SPOKE ON JUNE 3 STRESSED THAT THE IBRD AGREES WITH ESTIMATES THAT FINANCING OF \$405 MILLION WOULD COVER "PHASE ONE" OF THE PROJECT WHICH NOW CALLS FOR CONSTRUCTION OF THE COMPLETE PIPELINE WITH PUMPING AND STORAGE FACILITIES

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ZAGREB 00483 061027Z

TO HANDLE 20-MILLION TONS OF CRUDE OIL ANNUALLY. ("PHASE TWO")

WOULD INVOLVE ADDITIONAL INVESTMENT NEEDED TO RAISE HANDLING CAPACITY TO 34-MILLION TONS.) (COMMENT: OTHER PERSONS HERE, INCLUDING DR. SIROTKOVIC, KEY ENGINEER, BANKER, AND REPRESENTATIVES OF THE US CONSTRUCTION FIRM BROWN AND ROOT, HAVE EXPRESSED THE VIEW THAT THE PROJECT WILL COST MUCH MORE.)

3. THE PIPELINE CONSORTIUM HAS ENGAGED THE SERVICES OF THE FRENCH ENGINEERING FIRM "OTP" OF PARIS TO ASSIST IN WRITING THE SPECIFICATIONS. BIDDING LOTS (ABOUT WHICH WE ARE REPORTING SEPARATELY BY UNCLASSIFIED AIRGRAM) SHOULD BEGIN COMING OUT BY EARLY FALL. CONSTRUCTION BIDS MAY BE BROKEN UP INTO FIVE LOTS TO ENABLE SEPARATE CONTRACTORS TO START BUILDING DIFFERENT SEGMENTS OF THE LINE SIMULTANEOUSLY BY EARLY 1976. WHILE BIDDING WILL BE BY INTERNATIONAL TENDER, OPPORTUNITIES FOR FOREIGN CONSTRUCTION COMPANIES WOULD OBVIOUSLY BE ENHANCED BY THEIR WILLINGNESS TO BID JOINTLY WITH APPROPRIATE YUGOSLAV FIRMS.

4. BROWN AND ROOT REPRESENTATIVES HAVE EXPRESSED STRONG RESERVATIONS ABOUT THE PROJECT'S PROPOSED ENGINEERING ORGANIZATION AND HAVE PROVIDED THE CONSORTIUM WITH A GENERAL OUTLINE OF THE TYPE OF PROJECT MANAGEMENT THEY CONSIDER NECESSARY FOR SUCH A PROJECT. FOR THE TIME BEING AT LEAST, THERE IS NO APPARENT EVIDENCE THAT THE YUGOSLAVS WILL BE DISPOSED TO ACCEPT SUCH ADVICE. WHILE THE TIMETABLE LOOKS TIGHT, THERE WILL APPARENTLY BE A SO-CALLED "TRIAL PERIOD" OF SIX MONTHS FROM JUNE 1, 1978, ON WHICH THE YUGOSLAVS COUNT AS A WORST INSTANCE RESERVE. ALSO PENALTY PROVISIONS ARE REPORTEDLY WRITTEN IN COMPLICATED AND GRADUATED MANNER, WITH THE FULL PENALTY OF \$36 MILLION ONLY FALLING DUE IF THE YUGOSLAVS ABANDON THE PROJECT AT A LATE DATE.
KAISER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PIPELINES, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ZAGREB00483
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750198-0276
From: ZAGREB
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750675/aaaacrcd.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BELGRADE 2511, 75 ZAGREB A-76, 75 12/16/74
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 MAY 2003 by Izenbel0>; APPROVED <26 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: YUGOSLAV PIPELINE
TAGS: ENRG, BEXP, YO, HU, CZ
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006